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THE NATIONAL DEBT OF FRANCE.

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OF all countries, France, perhaps, is the one in which the records of national accountability and the form of the budget best permit of reading the state of the debt clearly and completely. It suffices to open the financial law in order immediately to perceive therein at a glance all the expenses imposed upon the government for the services of the debt in all its forms. Take for example the last budget, that of 1900, no longer operative. Article I. of the financial law gives us at once the total of the expenditures necessary for the year, and the figures of the sums previously deducted for the requirements of the debt:

	Francs.
Total expenditures	3,537,751,526
Portion appertaining to the services of the national debt.....	1,251,870,162

Thus, we see at the first glance that the debt represents for its annual requirements more than a third of the total expenditure of the French government. What is the composition of this debt? To what causes is it due? What is its progress? These are interesting questions that I shall examine in as simple and clear a manner as possible.

The French national debt is divided into three parts: the *funded* debt; the *redeemable* debt, and the *pension list*.

The funded debt is that which is inscribed in the "Ledger of the National Debt" instituted by the law of August 24th, 1793, and of which the government owes its creditors only the interest, without being obliged ever to refund the principal. Nevertheless, it can, if it desires, effect a redemption; but it alone is judge of whether it shall or shall not do so. Its obligation is solely the

payment of the annual interest. This debt is called also perpetual. It follows that the important figure of this branch of the national debt is that of the interest, and not that of the principal, since the government is debtor only for the interest.

At present the funded debt consists of two sorts of stocks—the 3 and the $3\frac{1}{2}$ per cent. The 3 per cent. stock for the year 1900 required a sum of 454,769,454 francs. That is to say, if the government had wished to wipe out the debt it would have had to pay its creditors a principal of 100 francs as many times as there were 3 francs in the total annual stock above mentioned—a total of 15,158,981,800 francs.

The $3\frac{1}{2}$ per cent. stock required the sum of 237,388,396 francs, and corresponded to a principal of 6,782,525,600 francs.

The total of the sums due for interest on the funded debt for the year 1900, therefore, represented 692,157,850 francs, and the corresponding principal amounted, in round numbers, to 21,941 million francs. The number of stockholders in France is very large. Each of them, therefore, represents, on an average, but a small government indebtedness. The exact number of holders cannot be known; but we do know the number of the stock certificates. One person may own several certificates, and the number of the latter is therefore larger than that of the holders of the same. The number of stock certificates in 1899 amounted to 4,222,377, which gives an average of stock of nearly 164 francs per certificate. This suffices to show how many small stockholders there are in France interested in the public order.

The debt redeemable at maturity or by annuities embraces a certain number of categories—the convertible annuities of the Morgan loan effected during the war of 1870, the annuities to certain railway companies, the interest on the floating debt of the Treasury and on the principal deposited by functionaries who are obliged to furnish security, etc., etc. The total of such sums amounts to 319,900,110 francs, out of which about 95 millions are appropriated to the refunding of the principal and the rest, say 224 millions, to the payment of interest.

The pension list debt comprises all the pensions that are due to civil functionaries and members of the army and navy, and in a word to all those who for any reason whatever have a right to a pension from the government. It comprises also certain sums for relief, but nearly the whole of it is *due* and has no

optional character. The total for 1900 amounted to 239,812,202 francs, the principal elements of which were as follows:

	Francs.
Civil pensions	75,750,000
War pensions	95,542,000
Naval pensions	37,600,000
Various supplements for the army and navy.....	12,000,000

It can be definitely seen that the great divisions of the national debt from the viewpoint of annual expenditures are summed up as follows:

	Francs.
Funded debt	692,157,850
Redeemable debt	319,900,110
Pension list debt.....	239,812,202
Total.....	1,251,870,162

But a sum of about 95 millions is employed in the refunding of the borrowed principal, and on the other hand the budget receives a sum of about 37 millions derived from the stoppages of the salaries of functionaries who have a right to be retired on a pension. This diminishes the real charges of the Treasury by just so much.

Nevertheless, it is simpler for reasoning and comparison to retain the official figures just as they are recorded, and which give more than 1,251 millions of annual charge.

The principal of the redeemable debt amounts at present to more than 7,854 millions, which added to the 21,941 millions of the funded debt gives a total of 29,795 million francs. Add further as a matter for reflection the principal representing approximately the 239 millions of the pension debt which may be estimated at 3,000 millions and a half, at the least.

Definitely for its national debt France owes upon the whole a principal that may be estimated at about 32,000 or 33,000 millions, only 7,854 millions of which has to be paid, while the remaining 25,000 or 26,000 millions corresponds solely to an annual interest charge.

The financial difficulties of the old régime were as every one knows one of the principal causes of the French Revolution. The sums mentioned in the reports of Necker, Minister of Finances of Louis XVI., and in those of Cambon, the member of the convention who created the "Ledger," are very far from equalling those that we have just examined. It is true that the

purchasing power of silver was much greater then than it is now, and that on the other hand there was less development of wealth. We must therefore guard against taking the figures of 1789 or 1792 as identical with those of the present.

We may admit that toward the end of the old régime in France one franc was about equal to two francs of the present day.

According to one of the reports inserted in the *Moniteur*, the state of the debt on April 1st, 1792, was as follows:

	Francs.
Annual charges of the funded or perpetual debt.....	76,844,949
Annual charges of the pension debt.....	101,888,086
Total.....	178,233,035

Moreover, there was a debt of a principal of 1,950,023,415 francs, and a debt of a special principal of 1,564,178,281 francs for assignats. The Revolution was unable to meet all the financial complications that resulted from the events that were taking place, and caused the creditors of the government to suffer a loss of two-thirds of their claims. At the end of the century after the 18th Brumaire, year VIII. (November 11th, 1799), when Bonaparte having become first consul took the reins of government in hand, the national debt was summed up in a total annual charge of 75 million francs; but all the debts were not liquidated. Bonaparte, however, rapidly effected a liquidation, re-established public credit and put the finances on a solid basis. Despite the great military expeditions of the consulate and the empire the national debt was not much increased. In fact in the accounts of the year 1814 it figures only as a total charge of 109 millions. It may be said that by his system Napoleon I. nourished war with war. But his fall brought on very different results. It became necessary to regulate arrearages and to undergo the consequences of the European coalition; so that, after all these lengthy operations were finished, say in 1824, the total of the annual charges of the debt presented themselves as follows in the budget of this same year:

	Francs.
For the funded debt	197,064,244
For the redeemable debt	26,048,527
For the pension debt	71,552,913
Total.....	294,665,689

The funded debt consisted at that time entirely of 5 per cent. stock, and this sum of 197 millions therefore was carried for interest in the budget of 1824 and represented at par a principal of 3,940 million francs.

Such is the starting point that must be taken in order accurately to appreciate the progress of the French debt from the philosophical viewpoint of history.

The other characteristic date that must be noticed between such starting point and the present situation is the end of the second empire previous to the terrible war of 1870-71 between Germany and France, that is to say, the year 1869.

At that epoch the state of the national debt presented itself for the annual charges inscribed in the budget as follows:

	Francs.
For the funded debt	361,494,542
For the redeemable debt	77,640,789
For the pension debt	85,545,524
Total.....	524,680,855

The funded debt consisted almost entirely of 3 per cent. stock, and its annual arrears as a whole represented in round numbers a nominal principal of 11,000 millions and a half. The nominal principal of the two other kinds of debts could be estimated at about 2,000 millions and a half, and with these there was therefore a total debt in principal of about 14,000 millions.

In order to ascertain what additional charges were added to it by the war of 1870 we must now take the figures inscribed in the budget of the year 1874. This year the debts consequent upon the war were liquidated, the necessary loans were negotiated and perfected, and the various operations resulting from the great events of 1870 and 1871 were accomplished. The annual *net* charges of the debt (that is to say, exclusive of the funds devoted to the amortization of the redeemable principal) were thus fixed in the budget of 1874:

	Francs.
For the funded debt	744,260,560
For the redeemable debt	108,998,588
For the pension debt	108,363,769
Total.....	961,622,917

Consequently it suffices to compare the two sums relative to the net charges of the debt in 1869 and in 1874 to see the origin

of the difference of 437 millions inscribed as an addition upon the budget of 1874. This enormous increase may be considered as due almost entirely and more or less directly to the war of 1870-71.

Since then various causes have intervened, some to increase and others to diminish the debt of France in diverse forms. The causes of the diminutions have been notably amortizations and conversions.

In 1874 the funded debt which required in round numbers an annuity of 744 million francs was thus constituted:

	Francs.
For 5 per cent. stocks	344,747,641
For 4½ per cent. stocks	36,660,538
For 4 per cent. stocks	438,931
For 3 per cent. stocks	362,413,450

By successive operations the 5 per cent., 4½ per cent. and 4 per cent. stocks were converted into 3½ per cent., and these various operations which took place in 1883, 1887 and 1894 affected a diminution in the annual Treasury charges of 108, 191 and 863 thousand francs.

As for the amortizations, consisting of payments of principal in various forms, they have been effected every year for variable sums. In 1874 the Treasury refunded 200 millions, and in 1875 225 millions. Then the amortization began to vary from year to year, and sometimes fell to 63 millions, as in 1891 and 1893. The amortization provided for in 1900 amounted to 100 millions. From 1874 to 1900 the total of the amortizations effected amounted to about two thousand million and a half. The budget was therefore necessarily relieved by a sum corresponding to the interest on the last-named amount. So much for the diminutions.

But during this time France was borrowing with one hand while she was paying out with the other. We have seen that the annual charge of the funded debt has since 1874 been diminished by 108 millions through the conversions of stocks. The annuity of 1874, which was 744 millions, ought therefore to have fallen to 636; but it was 692 millions, say 56 more than it should have been. This sum corresponds to loans that had been effected after the war of 1870 for various purposes, such as colonial expeditions, public works and expenditures for army and navy equipment.

But France has effected three other loans in the form of obligations payable at maturity, or of 3 per cent. redeemable stock. So the annual net charges of the redeemable debt have risen from 108 to 219 millions, say an increase of 111 millions, representing the annual interest on the principal borrowed since 1874, over and above the loans effected on the score of the funded debt. Thus France has borrowed more than she has repaid.

However, the portion of the debt that has suffered the greatest increase is the pension list. The civil and military pensions do not cease to augment, and this progression does not seem to be nearly ready to stop. Democracies are just as fond of pensions as monarchies, and politics has scarcely any influence upon human passions. Pride, vanity, ambition, envy and interest flourish under all régimes. The danger offered to the budget by pensions is serious. It seems as if half of the French will soon have to work in order to pay pensions to the other half. This danger was long ago pointed out, but without any result.

In 1884 I was selected to draw up the general report of the budget for 1885 in the name of the budget commission and took occasion at the time to show the Chamber that the pensions were putting the taxpayers to a total annual expense of 187 millions, and added that such a figure was by far too high, and that it was indispensable within as short a time as possible to take the most energetic measures to arrest it, if not to reduce it. At present the pension expenditure has in round numbers reached 240 millions, and has not finished! The rising tide does not seem disposed to stop. The same phenomenon may be observed in all countries, moreover, and is not to the credit of the electoral régime.

Upon the whole it is easy to see by the preceding figures that the national debt in France has not ceased to increase, as is the case everywhere else save in England and in the United States, since an effort was made there to reduce the debt after the War of the Rebellion.

It is but right to add that the loans have not all been expended without some return of permanent value. The sums employed in public works have corresponded to an enrichment of the nation and government. In France the railways belong to the government, though the government does not operate them; but it will acquire entire ownership of them after the expiration of

the concessions made to the companies, say about the middle of the present century.

The government contributes only a small amount towards the first expenses of installation. Up to the present the entire system of railways has cost about 16,000 millions, out of which the government has furnished but 4,000. In consideration of this sum it is therefore owner of a domain of which the value is four times greater. This is not a bad investment for the father of a family! But the government must not increase the expenditures of its budget to such an extent that it shall find that it has consumed its heritage after the companies have placed the latter at its disposal.

In taking an intelligent glance at the debt of France we must take into consideration a few other necessary elements of estimation. A debt varies in importance according to the personal situation of the debtor. The debt of France is a big one; in fact, it is the biggest in the world. But France is a rich debtor and nothing would be easier for her than to cancel her indebtedness were she desirous of governing herself conformably to the rules of reason and of a good financial administration.

After the war of 1870-71 the country was in a terrible situation. Everything was destroyed in the military domain. It became necessary to re-establish the armaments, to reorganize the army, to restore commerce and the industries by a vigorous impulsion, to pay formidable sums to victorious Germany, and to make amends for the enormous damages done to cities, private estates and the public domain by the war and the invasion. This immense work of national restoration was directed by M. Thiers, who borrowed 5,000 million francs under conditions that seemed to be most unfavorable. The entire civilized universe gave him due credit for this work.

The expenditures of the budget have suddenly increased in a measure until then unknown. In 1869 the expenditures of the budget of the empire had been fixed at a total (for ordinary and extraordinary) of 2,013 million francs. In 1872 it became necessary to raise this total to 2,807 millions, say an increase of 800 millions per annum!

M. Thiers, however, understanding the economic necessity of diminishing the debt and of undertaking the reduction of it, vigorously organized an amortization, the amount of which inscribed

in the budget of 1872 was 200 millions! This in 1873 he raised to 208 millions, in 1874 to 214 millions, in 1875 to 283 millions, and so on, and succeeded in rapidly repaying the Bank of France the 1,500 million francs that it had contributed toward the national defence. The prosperity of France during this period was phenomenal. Its foreign trade which in 1869 had amounted to but 3,075 millions in exportations rose in 1875 to 3,872 millions. All the signs that measure the activity and productive energy of a nation were found in harmony therewith. Up to the present the country has lost none of its qualities or natural gifts. In the financial problem of France there is but one question—that of government, a political question, nothing more.

The tax comes in with a regularity and expedition without example in other countries. The collectors scarcely ever have to institute proceedings in order to collect direct taxes. The power of production of the duties of consumption does not as yet decline much. The debt of France, then, must not be regarded as exceeding the capability of the industrious and brave people who inhabit the country; and the latter must not be considered as having necessarily to succumb under the financial burden that lies heavy upon its shoulders.

But all the earnest politicians of France are in accord with the most clear-sighted economists in recognizing the fact that the burden must not be rendered heavier, and that it is necessary to put a limit to the increase of the debt.

The credit of the debtor is sound, and the latter is justly reckoned among those that are most worthy of confidence in the world. In France as elsewhere it depends upon politics to steer the government finances toward the good or the bad. The possibility of beating about is past.

JULES ROCHE.